

Managerial Economics
2020, Vol. 21, No. 1, pp. 67–83
<https://doi.org/10.7494/manage.2020.21.1.67>

Oleh Risnyy*

Regulation of the Ukrainian labor market in the context of European integration: system priorities

1. Introduction

In an interconnected world, integration is the basis of the socio-economic development of any country. Increased competition, development of the knowledge economy, information technology, changes in the content and forms of providing labor services require an updating of the labor market regulation system. For Ukraine, there are a number of significant factors to be taken into consideration such as internal factors of socio-economic instability related to increased social anxiety in society against the background of declining living standards, worsening employment conditions, territorial and vocational qualifications mismatches between labor market demand and supply, worsening labor market situation.

Improvement of the current state labor market regulation should be aimed at overcoming negative socio-economic impacts, introducing modern forms of labor force involvement in the social reproduction process, ensuring optimal interaction of state and market levers of regulation, which, in the end, will contribute to the European integration of our national economy and to a new level of socio-economic development of the latter.

The question of the effective influence of the state on labor markets has been studied by many scientists, such as J.E. Stiglitz (Stiglitz 2017), K.A. Elliot, R.B. Freeman, E. Libanova (Libanova 2012), A. Kolot (Kolot 2017), V. Vasilchenko, M. Tulenkov, O. Grishnova, M. Dolishniy, K.F. Zimmermann (Zimmermann 2004) and others. According to Heinz and Ward-Warmedinger (Heinz, Ward-Warmedinger 2006), the evidence from EU members' experiences, academic studies, the existence of

* Ukrainian State Employment Service Training Institute, Department of Personnel Management and Labour Economics, e-mail: naykipk@ukr.net

barriers to cross-border labor mobility and the economic determinants of migration all indicate a moderate potential for increased migrant flows.

Hrabynskyi et al. (Hrabynskyi et al. 2019) had found a high level for the territorial mobility of workers, in particular with respect to their readiness for external migration. Essentially, half of the unemployed are potential migrants, and about one in four are 'hard' migrants. The labor market of EU members is the main direction for labor mobility from Ukraine. In these countries demand for labor has increased sharply. At the same time, there is a constant increase in the wages of workers and, accordingly, the incomes of the population. We have seen a significant increase in demand for highly qualified professionals and professions in need in a united Europe (the polarization of professions), and the disappearance of certain professions due to ecologization, automation, robotics, and artificial intelligence development.

However, at present we need to conduct a single comprehensive study of international standards for ensuring employment and modern globalization impacts on labor markets, particularly in the context of Ukraine's European integration. Developing and implementing clear and accessible mechanisms for responding effectively to the challenges of open labor markets, including the involvement of employment services, are keys to the effective socio-economic development of the country (Grishnova, Risnyy 2017).

The study suggests that, at least in the short run, it is necessary to fundamentally change the approaches to the appointment of maternity benefits for the unemployed. The analysis has shown that, in order to provide the maximum amount of unemployment benefits, it is often enough to have one year of salary insurance, which would require over 20 years for the corresponding charges for the payments made to be compensated. Consequently, it is necessary to increase the minimum amount of unemployment benefit (which will allow people covered by social protection to maintain a sufficient level of vital activity), and at the same time reduce the maximum amount as a percentage of the minimum wage. Reducing the maximum aid payment to the minimum wage (subject to its decent level) will not be discriminatory, serve more efficiently and fairly, and maintain its motivational character in terms of finding a job, where one can still earn more. The next step is to reduce the cyclicity of receiving unemployment benefits and increase the length of the insurance base to calculate assistance.

Following the article, it is also essential to review approaches to the Fund's costs, in particular to increase their proportions for active employment programs in relation to passive payments, the possibility to determine the expediency and form of spending on active programs at the local level.

Therefore, there is an urgent need for a detailed analysis of the processes on the European labor markets and the trends expected there in the future,

their impact on the domestic labor market, as well as effective mechanisms and successful practices of government interventions through the institutions of employment services in these processes. The investigation on labor markets policy of such countries as Denmark, Sweden, the United Kingdom, Switzerland, the Netherlands, Spain and Germany (Eichhorst, Kondle-Seidl 2005), shows, that labor market adaptability benefits from relaxing Employment protection legislation and, consequently, from introducing activating elements in labor market policies.

This research will help to develop a strategy for state preparation in Ukraine through the institutions of employment service for the European integration challenges, as well as finding the means to overcome expected problems, forms and methods of using the new opportunities that come with it.

2. Prerequisites for irreversible changes in the Ukrainian labor market

The modern labor market, as an integral part of a country's economy, is formed under the influence of socio-economic, political and demographic processes. They, in turn, are closely dependent on both internal processes and external influences, the basis of which is European integration today.

The most significant internal factors are characterized by the continued production decline in private sectors, the deepening of disproportions and financial imbalances of the economy, devaluation of the national currency in recent years, higher inflation and lower purchasing power, increasing unemployment, temporary occupation of the Autonomous Republic of Crimea and parts of the Donetsk and Luhansk regions.

Mostly external factors are linked to the globalization of the world economy, the European integration vector of Ukraine's development, as well as the integration of the domestic labor market with the open markets of Europe with their standards and characteristics.

All of the above factors testify to the inevitability of significant fundamental changes in the field and determine the relevance of a comprehensive study of the current condition of the labor market, its main trends and the factors that affect its development.

To create a coherent mechanism of labor market regulation based on a combination of state, contractual regulation and self-regulation, it is necessary to clarify the essence of these concepts. As a rule, labor market regulation is seen as a coordinated work on the part of the government, territorial authorities, unions

of employers, trade unions and heads of enterprises. Most scholars argue that the current mechanism for regulating the labor market consists of a combination of market mechanisms for the self-regulation of economic processes and a system of measures to promote employment.

The mechanism of labor market regulation can be presented in the form of three interrelated socio-economic blocks: forecasting, regulation and process management. It is necessary to provide scientifically sound forecasting of various aspects of the professional labor market development, creation of a modern information base, which involves the use of balanced methods, as well as the application of world experience in the functioning of territorial socio-economic monitoring systems.

The realities include the need to take into account not only national and local conditions and characteristics, but also, to a large extent, global labor market policies.

The process of European integration of Ukraine implies a closer interconnection of the Ukrainian labor market with the pan-European market, and subsequently their complete merger. This process presupposes certain challenges for the national economy. Their analysis and qualitative counteraction to possible consequences are extremely important for the effective economic development of the state. Effective government influence on the labor market through appropriate institutions will be a priority in achieving positive results.

In the context of the study, the analysis of the foreign experience of Eastern European countries, including Estonia, Latvia, Lithuania, Poland, the Slovak Republic and Romania in the process of integration into the European labor market, examines the possible challenges and prospects of this process as a prerequisite for ensuring the readiness of national institutions to make the necessary changes, development of relevant system priorities.

3. The impact of European integration on local labor markets in the case of Eastern Europe

The cornerstones of the European Union are free movement of labor and common standards in the social protection system. Integration into these markets represent considerable challenges to the national economy and well-being of the population. The European Union was founded on the basis of the European Coal and Steel Community and transformed into the European Union in 1992, and today has 27 member countries. In 2004, the countries of the former socialist camp, including Estonia, Latvia, Lithuania, Poland and Slovak Rep., joined it,

and in 2007 Bulgaria and Romania became members of the European Union as well. Their experience in the process of European integration is invaluable for studying Ukrainian labor market regulation.

Today, it is extremely important to be prepared at all governmental levels for the process of European integration and its possible consequences. The labor market will be the system that will be affected the most significantly. There is a difference in views on the threats to Europe's labor markets opening up for Ukrainians and the catastrophic consequences for the national economy. As an example, the 'devastating' consequences of European integration for the Baltic States and the Warsaw Pact are often cited, and measures for artificial restraint, delay and containment are proposed. Is the integration of the labor markets of Eastern Europe with the European one so critical? What are the macroeconomic effects it has caused? How has the national economy and well-being of the population changed in countries similar to Ukraine in terms of initial positions?

First, we should objectively acknowledge the initially sharp rise in unemployment in some countries. There were many reasons for this, ranging from the process and consequences of market transformations in countries towards privatization, to ensuring energy and labor efficiency, to achieving higher standards of the labor economy, to shifting the economy from the orbit of the socialist camp, and to the impact of the 2008 global financial crisis. Figure 1 highlights the dynamics of the process and the comparison with the situation in the EU as a whole, which is mainly related to the timeline of change.

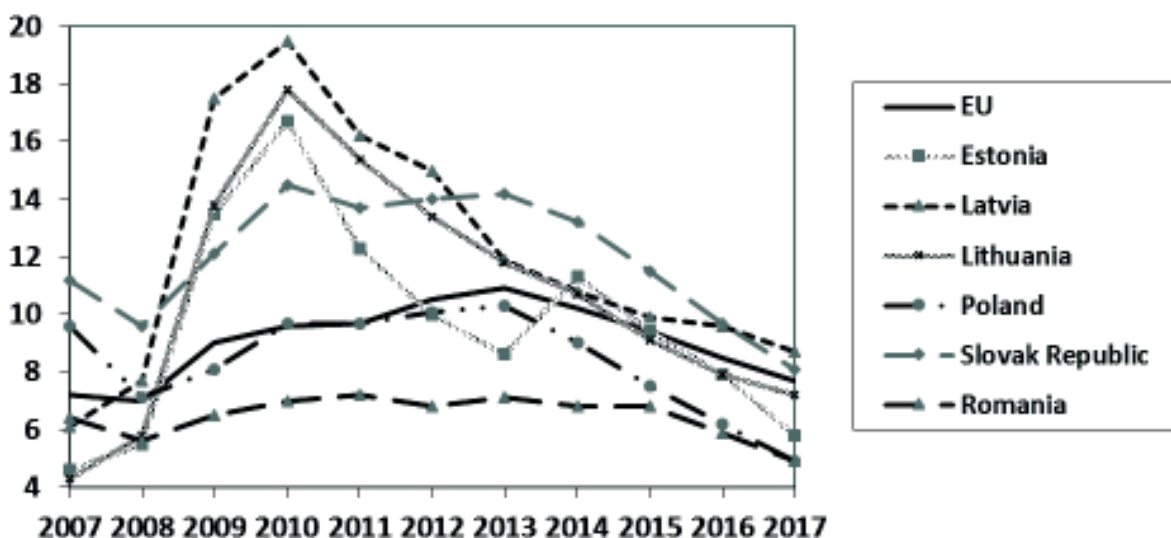


Figure 1. Dynamics of unemployment level in selected EU countries, %.

Source: own calculations from Eurostat

It should be noted that the main problems with rising unemployment occurred in the Baltic countries only in the fifth year of EU membership, which suggests factors other than the unified labor markets. At the same time, by 2015, the situation in these countries had leveled off and was after all far below the European average. Slightly lower rates occurred in Slovakia and Latvia, and significantly lower ones in Poland and Romania.

A more indicative criterion for assessing the state of the labor markets is the employment rate and the dynamics of changes in employment in different areas of the national economy, which is identical to the availability of jobs. Consequently, the number of people employed in Estonia has varied slightly over the last ten years, with a slight decline in 2010 and a resumption of the position by 2016. In Latvia, during 2009–2010, there was a significant reduction of jobs, which amounted to more than 17%, and remained at approximately the same level until 2016. During the same period in Lithuania there was a decrease of 14% and subsequently – an increase of 7% by 2016, which restored half of the lost jobs.

A more stable picture was observed in Poland, Slovakia and Romania. In particular, there has been a steady increase in employment in Poland for the population aged 20–64 by almost 6.6%, in Slovakia by 5.5%, compared to a pan-European increase of 1.6%. During 2017, these trends continued successfully throughout the European Union, with employment increasing by 2.9 million people, in Romania, partly in Slovakia, in Poland, and in Estonia. Employment growth in Latvia and Lithuania stopped a little. Some studies predict a further increase in the number of new jobs and jobs in these countries, particularly in Poland, up to 5 million new jobs in the coming years.

Analyzing the level of employment, we also see a noticeable unevenness across countries. The lowest figures are in Turkey (55.6%), Northern Macedonia (56.1%), Greece (59.5%), Montenegro (59.8%) and Serbia (63.1%). It should be noted that out of the five countries listed, 4 are only candidates for EU membership, and Greece is gripped by a prolonged financial crisis. On the other hand, this indicator was in the Latvia and Lithuania 77.8% respectively 78.2%, from 78 to 80% in Denmark, the United Kingdom, the Netherlands, Norway, Estonia, the Czech Republic and Germany, in Switzerland and Sweden – more than 82%, in Iceland: 86,5%.

Another criterion for the impact of European integration processes on the labor market is the average annual labor income of the population. The assessment of their dynamics and size contributes to a more detailed understanding of the general financial status of the population, its well-being and purchasing power, which also positively influences business development. As a basis for taxation, these changes are extremely important for filling the budgets, as well as for the success of solving social and household problems of the population, social protection issues and more. As we can see from Figure 2, this indicator

has undergone the greatest changes in the countries of Eastern Europe in the last 10 years. In Estonia it increased by 74%, in Lithuania by 72%, in Poland by 67%, in Slovakia by 41%, in Romania by 88%, and in Latvia by as much as 186%! This is much higher than the increase in the EU as a whole, accounting for only 26% in the mentioned period. It is the comprehensive analysis of these data that makes it possible to argue that the reservations about the detrimental impact of European integration on the Eastern European labor markets are unreasonable.



Figure 2. Dynamics of changes in the average annual labor income of the population in EU countries, Euro

Thus, in the EU in 2018, neighboring countries with a median annual income of between 35,000 and 50,000 Euros (France, Sweden, the Netherlands, Belgium, Denmark, Luxembourg, Iceland and Norway) were associated with countries of only 5,400 to 9,000 Euros (Bulgaria, Romania, Hungary, Lithuania and Latvia).

4. Methodology

The simplest criterion that characterizes the overall state of the labor market and the effectiveness of its regulation instruments can be the ratio of employment and income levels. After all, neither of them can be considered indicative when a low employment level results in low wages, or at a high level of wages, employment covers a small section of the population. The Figure 3 compares these options for 2018.

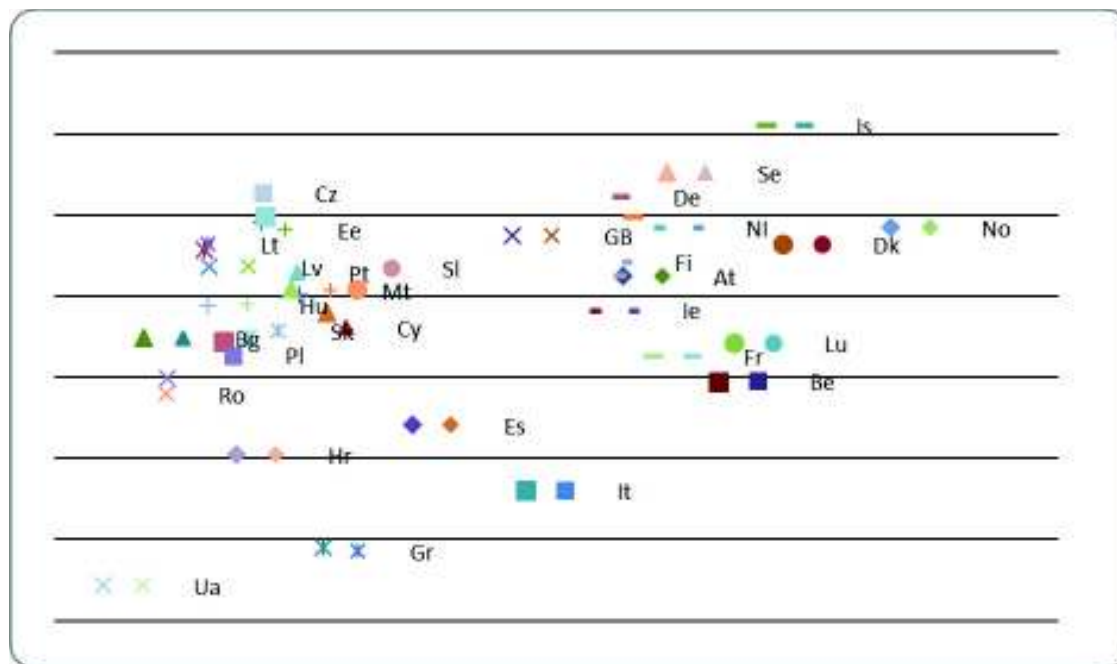


Figure 3. Labor Market Development Parity in Europe in 2018

This analysis demonstrates the leadership of Norway (No), Iceland (Is), Denmark (Dk), Sweden (Se) and with more or less similar magnitudes in other Western European countries. At the same time, Greece (Gr), Croatia (Hr), Romania (Ro) and Bulgaria (Bg) demonstrate the worst indicators and the most critical ones are in Ukraine (Ua). What should be noted separately is the position of the Baltic countries, which are in the same range and sometimes in the best positions, with earlier EU members from Eastern Europe, as well as Cyprus, Portugal and Malta.

The assessment of this criterion with respect to the dynamics over the last 6 years for the countries of the former socialist camp and Ukraine provides an opportunity to observe a steady tendency to improve the situation on the labor markets in the countries mentioned and, accordingly, the deterioration in Ukraine. In the context of the criteria evaluated above, notwithstanding the fact that the countries of Eastern Europe frequently occupied much lower levels than the leading countries in the north-western part of Europe, they show a clear and confident dynamic in improving the situation.

Figure 4 shows the steady progress of new EU members with open labor markets over the last six years, and the regressive trends in the situation with Ukraine, which is already in a worse situation. These trends further exacerbate the gap between countries' positions in the global economy and are an additional influential factor in the domestic labor market. Due to the increasing polarity of positions in the process of European integration and the harmonization of social

standards in the Ukrainian labor market, we should expect even more negative consequences and tendencies.

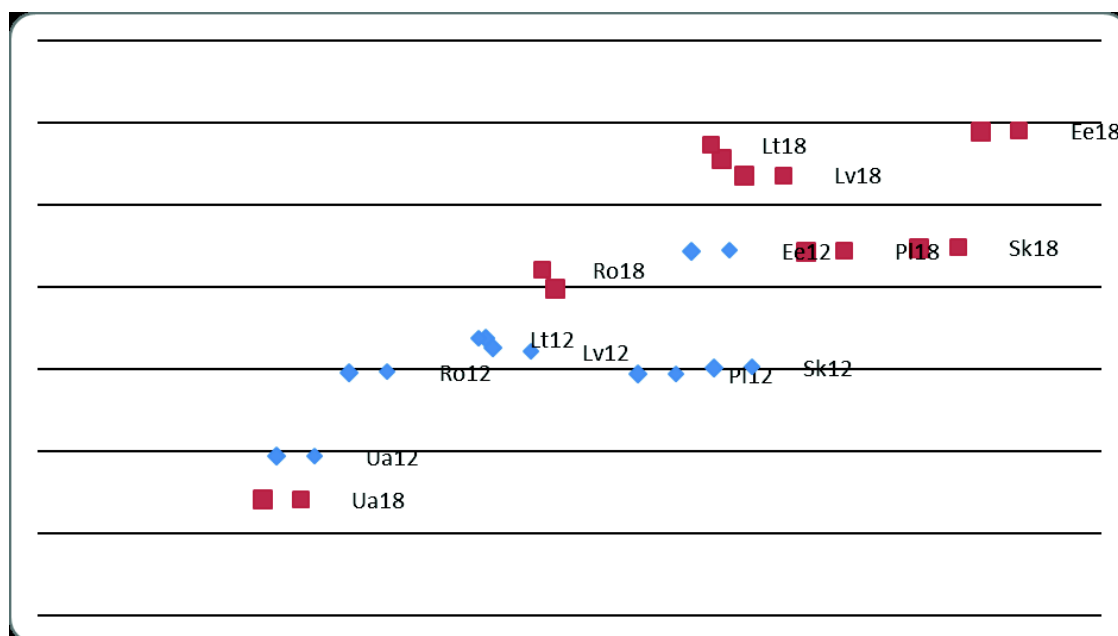


Figure 4. Dynamics of labor market parity in the countries of Eastern Europe during 2012–2018

The most frequently mentioned factor in political and scientific circles regarding the problems of Eastern European countries when joining the pan-European labor market are in the area of problems of labor migration, the outgoing of domestic labor force, including highly skilled specialists, to work abroad, and accordingly the considerable difficulty in finding the right experts in a given field.

At the same time, however, these difficulties helped to ease the tension on countries' social security systems by reducing the number of beneficiaries of benefits, providing additional opportunities for professional realization to workers who were temporarily out of work with decent pay. The problem faced while hunting for suitable competent workers has been an additional stimulus for the gradual increase of salaries by employers and the achievement of their competitiveness in comparison with the countries of Western Europe, the introduction of new standards of labor efficiency and use of resources. Thus, the population gets better opportunities for effective self-realization, a decent standard of living, and local and state budgets as an additional base for taxation. In my opinion, open market relations and competition in them have a much greater impact on wage growth than state restriction and control methods.

The analysis has shown that demand for labor is increasing sharply in countries that have joined the pan-European labor market and these trends are steadily continuing. At the same time, there is a constant increase in the wages of workers and, accordingly, the incomes of the population; It should be added that the average wage in Eastern Europe is often several times higher than the state minimum wage. The trends analyzed will also contribute to its further growth and approximation to the Central European indicators, when labor migration becomes obsolete and there are incentives for remigration, that is, the return of workers to the country of origin, which was clearly reflected in the labor market of the Republic of Ireland.

Along with the development of automatization, digitalization and the use of artificial intelligence, there will also be a number of professions that will gradually disappear. These are primarily low-skilled or time-consuming occupations that require physical activity or attention and frequently such positions are occupied by migrant workers. Thus, in the coming decades, the process of losing such people, including from Ukraine, to places of work abroad, (people qualified in the above-mentioned occupations might lose jobs abroad and return to their homeland in search of good working conditions) and returning to their homeland is possible. Low-skilled workers will return to their countries of origin and, at the same time, dynamically developed labor markets will attract highly skilled technicians, the need for which will only grow. This is another threat that we need to think about today.

5. Findings

A detailed analysis of the developments in the European labor markets and the trends that are expected there in the future will contribute to the development of a strategy of readiness for European integration challenges in Ukraine, the search for systematic priorities for overcoming the related problems, forms and methods of exploiting new opportunities that are expected.

This strategy should cover the elements of identifying the most demanded professions for the national economy in the short and long term, organizing effective guidance in these areas, training (including directly in production), introducing mechanisms for their retention and motivation in the domestic labor market (for example, as an obligation to work out a fixed term in Ukraine after appropriate training), review approaches to social security payments, payroll tax patch, legalization of wages, attract labor migrants from abroad and so on.

The right state strategy will help to balance the competitiveness of national producers, their development, and the provision of the required staff, and the

gradual and significant increase in wages in the country, and accordingly the overall well-being of the population.

The growing interdependence between national labor markets in Europe requires greater international cooperation between European PES (Public Employment Services), including on labor mobility. The main objective of national economies should be to achieve the highest possible level of the population employment, including by expanding and modifying classic forms of employment.

The issue of labor migration and its impact on the national economy is rather multi-dimensional and has not yet been fully estimated. On the one hand, attention is drawn to the more common aspects of its impact, such as the outflow of employees, especially the skilled ones, in the negative. This situation really creates a disproportion in the labor market in countries where such outflows occur, and as a consequence there is a noticeable shortage of qualified staff to occupy the corresponding positions. This slows down the development of individual businesses and, accordingly, the national economy.

However, such a situation contributes to a constant increase in the level of wages, because in the conditions of skilled personnel shortage and competition for it, its price in the labor market increases accordingly.

Subsequently, the rise in the price of labor for the most popular professions shows a moderate increase in wages in other sectors of the economy. This is due to the fact that part of the population is retrained to work in scarce and overpaid specialties, reducing the supply of specialties where there is some oversupply in the labor market. Thus, there is some self-regulation in the labor market. In addition, rising wages are beginning to attract workers from other countries.

The outflow of the workforce abroad also reduces the tension on the social security system in the country. People unable to fulfill themselves in the domestic labor market tend to find such opportunities abroad.

Certain positive aspects of labor migration impact on the national economy and the well-being of the population can be seen in the countries of Eastern Europe which have recently undergone relevant market transformations, aspects which have also resulted in a significant increase in income level.

The economic systems of the recipient countries, where labor supply increases with the influx of workers from abroad, demonstrate the opposite effect. At the same time, wage growth stops, and there may be some decline which would consequently provoke the indignation of the local population.

Thus, in the countries of labor donors and recipient countries, there is a gradual leveling of wages and at the same time a decrease in the attractiveness of foreign migration.

However, this situation cannot be left to its own accord, but it requires the state's competent and effective intervention. Not only does the state's operational

and effective policy mitigate the negative effects of worker migration, it can also have significant economic benefits.

The empirical analysis showed a lag in the parity of the labor market development, which is characterized by the ratio of employment and the size of the average annual labor income of the population compared to the new members of the European Union from Eastern Europe. However, there is a rapid movement towards pan-European positions, which reduces the polarity of the indicators and the tension in the domestic labor market. In Ukraine, in the context of a certain isolation of the labor market, both for foreign labor migrants and for traveling abroad, reverse tendencies are observed and which may have extremely grave consequences.

The availability of a regulated and transparent exchange of vacancies between countries with the largest labor force movement:

- reduce the role of unscrupulous mediators and accordingly the risks of the loss for job-seekers;
- ensure adequate account of migrant workers and as well as both legal and social protection;
- help to reduce public spending on social benefits and subsidies for the part of the population officially employed abroad;
- open opportunities for re-emigration in some cases, etc.

In the situation of a civilized international labor market, migrant workers are given the opportunity to be employed legally by reliable enterprises. Easy access to job vacancies allows people to search remotely. This opens up new opportunities for compatriots who face some difficulties while staying abroad. Awareness of finding a job from a place of residence in Ukraine may be one of the factors of a possible temporary return from abroad considering opportunities of further employment in Ukraine. Another component of the problem is the provision of job vacancies in Ukraine, which will appear more and more, regardless of whether it is legal or illegal for domestic specialists to travel abroad. Targets of gaps in the domestic labor market will appear until wage levels approach at least 70–75% of opportunities in the near abroad. This problem requires priority and prompt intervention of the state in order to avoid possible economic collapse. And the tool should be a domestic employment service with new opportunities and competences.

The closest available resource to fill the deficient specialties in Ukraine is to educate and retrain the population, as well as attracting migrants from abroad. The problem of attracting highly skilled workers will be especially acute in the near future. Their training system through the vocational education network must

undergo a major transformation with the introduction of new forms of training, including dual education.

Substantially new approaches to organizing vocational training for adults will also be expected from employment service structures. Training programs should be implemented as briefly as possible and with a bias towards practical skills and competences, and should be tailored to the peculiarities of adult education, which usually already involves basic and special education. People undergoing such training with public funds should be obliged to spend a certain period of time with domestic employers and otherwise to repay the funds.

The rural population, owing to the features of the current legislation, belongs to the employed population as members of personal agriculture and falls outside the scope of services. They can be a separate resource for the replenishment of professional staff. The other category is unqualified people or those who have lost qualification due to a long absence of employment. They lose opportunities to obtain the required professions in the labor market due to the peculiarities of national legislation. For such unqualified workers, any unskilled job is a sufficient proposal. With the refusal of such a job offer, the person loses the right to receive the status of being unemployed and accordingly the right to attend professional training courses.

Such a systematic approach will help to attract those who are currently illegally employed and are forced to work in areas that do not require any skills. At the same time, they often come under passive state support in the form of various social benefits and subsidies.

If the situation with obtaining status and financial assistance is logical, then in terms of studying opportunities – it is not. National legislation needs to be modernized in order to provide the training required in the national economy of specialties without being tied to the possibility of obtaining the status of unemployed.

Such specialties should be identified annually, at the national level for example, and given similar opportunities for regions individually, the characteristics of which differ significantly across the country. Such differences in the features of the labor market in individual territorial units lead to differences in the form and methods of implementing employment policy.

It would be advisable to take this approach in the field of attracting severely scarce staff from abroad. There is a need for a simple and high-quality mechanism for identifying scarce professions and specialties at the state and local levels, and a simplified involvement of such specialists in these areas. State programs to support families of migrant workers are possible in certain areas (comp. Figure 5).



Figure 5. Mechanisms for the renewal of labor potential in Ukraine

Today it is worth mentioning to say that such mechanisms are completely absent in our country. Although they are sometimes formally declared, they are incapable of working in practice. The operative and effective intervention of the state in the described problems through the institutions of the employment service is key to the harmonious national economy development and the improvement of well-being and material status of the population of Ukraine. Only a comprehensive approach to problem solving can have a potentially positive effect on the labor market.

6. Conclusions

The survey showed that the labor market conditions in Ukraine are not only much worse than in the EU countries, but unlike European countries they are also changing in a negative direction. Contradictions in the development of the Ukrainian labor market impede its effective European integration. At the same time, the required transformations in the labor market coincide with the measures necessary for the European integration of the Ukrainian economy. The analysis showed that in countries joining the pan-European labor market, the demand for labor is increasing, wages are rising, the number of employees is not decreasing, and the unemployment rate is falling.

The effective European integration of Ukraine requires a strategy of readiness for European integration challenges, finding ways to overcome the expected problems associated with them, forms and methods of using new opportunities. This strategy should include identifying the most in-demand occupations for the

national economy in the short and long term, organizing effective vocational guidance and training in these areas, introducing mechanisms for motivation in the domestic market, reviewing approaches to social security payments, tax payrolls, wage legalization tools fees, attraction of labor migrants from abroad, etc. A thorough study of the trends in the article will facilitate the preparation of such a strategy in the shortest possible time.

The proposed systemic priorities for regulating the labor market in Ukraine in the context of European integration should be characterized as:

- for adult education programs – by accessibility (regardless of the social status of the person, work or insurance experience, employment relationship, affiliation to the private farm or other categories of employment, sex, residence registration, etc.) and purpose (solely by officially defined deficits of the professions and specialties at the state and local levels, on condition of further employment within Ukraine);
- for mechanisms of foreign specialists' involvement- promptness of determining the priority of professions and specialties, segmentation of competencies for national and local levels, simplified access and implementation, establishment of conditions for return;
- for stimulation of the remigration of Ukrainian workers – by facilitating access to both foreign and Ukrainian labor markets, the effectiveness of small business support programs.

The promptness, purposefulness, targeting, inclusivity and flexibility of such programs are the key to their success and, at the same time, a necessary criterion for ensuring the positive dynamics of socio-economic development in the country.

We summarize the main priority mechanisms for responding to the challenges of globalization in the labor market. They are:

- conducting an open and legalized international labor market;
- implementation of accessible, targeted and operational adult education programs;
- stimulation of domestic specialists' remigration from abroad and systematic and controlled involvement of foreign labor force;
- taking measures to reduce illegal employment.

These systemic priorities will help to mitigate the pressure of the global labor markets on the domestic market, and ensure the renewal of labor force potential, something which will undoubtedly have a positive impact on the labor market and the national economy as a whole.

References

- [1] Economic databases and indicators [Electronic resource], [Online], Available: http://ec.europa.eu/economy_finance/db_indicators/index_en.htm [21 May 2020].
- [2] Eichhorst, W. and Kondle-Seidl, R. (2005). 'The Interaction of Labor Market Regulation and Labor Market Policies in Welfare State Reform', IZA Discussion Paper, No. 1718. Bonn, [Online], Available: <http://ftp.iza.org/dp1718.pdf> [21 May 2020].
- [3] Elliot, K.A. and Freeman, R.B. (2003) Can Labor Standards Improve under Globalization?, Peterson Institute Press: All Books, Peterson Institute for International Economics, Number 338.
- [4] Employment and Unemployment – Key Indicators, (n.d.), [Online], Available: <http://www.csb.gov.lv/en/statistikas-temas/employment-and-unemployment-key-indicators-30679.html> [21 May 2020].
- [5] European Commission (March 2015), PES practices for the outreach and activation of NEETs A contribution of the Network of Public Employment Services, [Online], Available: <http://ec.europa.eu/social/BlobServlet?docId=13728&langId=en> [21 May 2020].
- [6] Grishnova, O.A. and Risnyy, O.P. (2017) 'Integration of the Ukrainian labor market with the European one: threats and prospects (an assessment on the example of the countries of Eastern Europe)', *Demography and the Social Economy*, vol. 3 (31), pp. 162–173.
- [7] Heinz, F.F. and Ward-Warmedinger, M. (2006) 'Crossborder labour mobility within an enlarged EU', ECB Occasional Paper, No. 52, European Central Bank (ECB), Frankfurt am Main.
- [8] Hrabynskyi I., Horin N. and Risnyy O. (2019) 'The Relationship between Cross-Border Labour Mobility and Diffusion of Eco-Innovations: Case of Ukraine', *Journal Socio-Economic Analysis*, vol. 11, issue 2, pp. 211–221.
- [9] International Labour Organization – Labour Force Surveys, (n.d.), [Online] Available: <http://www.ilo.org/dyn/lfsurvey/lfsurvey.home> [21 May 2020].
- [10] Kolot, A.M. (2017) Decent work: imperatives, Ukrainian realities, mechanisms of provision: monograph, Kiev: KNEU.
- [11] Libanova, E.M. (2012) 'Social problems of modernization of the Ukrainian economy', *Demography and the Social Economy*, No. 1, pp. 5–22.
- [12] Main Lithuanian indicators, (n.d.), [Online], Available: [https://osp.stat.gov.lt/pagrindiniai-salies-rodikliai#Average%20earnings%20\(monthly\)](https://osp.stat.gov.lt/pagrindiniai-salies-rodikliai#Average%20earnings%20(monthly)) [21 May 2020].
- [13] Main tables – Eurostat, [Online], Available: <http://ec.europa.eu/eurostat/web/lfs/data/main-tables> [21 May 2020].
- [14] Popa, A. (2013) Research and analysis of vacancies and skills needs of EU, Republic of Moldova and Ukraine, [Online], Available: http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_244735.pdf [in Ukrainian] [21 May 2020].

- [15] Ryndzak, O. and Risnyy, O. (2018) Monitoring of mobility of unemployed population in the system of regulation of regional labor markets, *Scientific Bulletin of the International Humanities University. Series: Economics and Management*, No. 29.
- [16] Sadova, U.Ya. (2009) 'Migration and its place in the harmonization of the development of territorial social systems', *Demography and Social Economy*, 1, pp. 29–36, [Online], Available: doi: <https://doi.org/10.15407/dse2009.01.029> [in Ukrainian] [21 May 2020].
- [17] Statistical database. Statistics Estonia, (n.d.), pub.stat.ee, [Online], Available: http://pub.stat.ee/px-web.2001/I_Databas/Social_life/databasetree.asp [21 May 2020].
- [18] Stiglitz, J.E. (2017) 'The overselling of globalization', *Business Economics*, vol. 52, Issue 3, pp 129–137.
- [19] The world of public employment services / Inter-American Development Bank (IDB); World Association of Public Employment Services (WAPES); Organization for Economic Co-operation and Development (OECD).p. cm, [Online], Available: <http://wapes.org/en/system/files/the-world-of-public-employment-services.pdf> [21 May 2020].
- [20] Wojewódzki Urząd Pracy w Rzeszowie (2018) Ujednolicony tekst ustawy z dnia 20 kwietnia 2004 r. o promocji zatrudnienia i instytucjach rynku pracy, [Online], Available: <http://wuprzeszow.praca.gov.pl/-/120524> [21 May 2020].
- [21] Zimmermann, K.F. (2004) European Labour Mobility: Challenges and Potentials, *IZA Discussion Paper*, No. 1410, November.

Summaries

Jessica Hastenteufel, Sabrina Kiszka: **What do German bank customers want? The importance of customer expectations and the failure of the integral customer advisory service** ■ Managerial Economics 2020, Vol. 21, No. 1

JEL classification: G21, M30, M31, M37

Keywords: *customer expectations, customer satisfaction, customer loyalty, integral customer advisory service*

Banks and financial service providers are currently facing numerous challenges due to the ongoing cheap money policy of the European Central Bank, an increasingly regulated market environment and a rapidly progressive digitization. The ongoing decline in interest income and the stagnating of a banks commission income are currently leading to a reduction of a banks total income. In addition, there is digitization that brings numerous new competitors into the market and changes the core business models of banks. As a result, the general conditions in the financial sector change fundamentally and continue to do so in the near future. Moreover, the behaviour and expectations of bank customers have changed in a way that factors such as “convenience”, “flexibility” and “speed” have become increasingly important for them. For this reason, we will start with a theoretical overview of the status quo and the current challenges banks are facing and then present the results of our customer survey to highlight the current expectations of bank customers. Based on this, we formulate recommendations for banks on how to meet their customers’ expectations.

Somdeb Lahiri: **Consumer surplus and budget constrained preference maximization: a note** ■ Managerial Economics 2020, Vol. 21, No. 1

JEL classification: D11, D61, M21

Keywords: *demand function, consumer surplus, willingness to pay, area under demand curve, maximization of consumer surplus, budget constrained utility maximization*

The paper attempts to rectify what appear to be popular but elementary misconceptions about the concept of consumer surplus in the context of Marshallian demand curves. It is primarily addressed to teachers of microeconomics at the undergraduate level or in MBA programs of business schools. The main text informs the reader about the model/context and the results we are concerned with, all of the latter being a comprehensive teaching note, relegated to an appendix of the paper. Thus, the potential instructor may use the main text to motivate himself/herself and at the same time inform his/her students as to the topic i.e. the rehabilitation of consumer surplus as an exact measure of welfare from the stand-point of cost benefit analysis.

Thereafter the appendix can be referred to for a more formal presentation. The technical results contained in the appendix begin by showing that willingness to pay is the area under the demand curve if and only if consumers are surplus maximizers. The last result in the appendix is a theoretically 'happy ending' since it shows that for purposes of applied economics, budget constrained preference maximization implies surplus maximization and hence for such consumers, willingness to pay is indeed the area under the demand curve up to the quantity consumed.

Oleh Risnyy: Regulation of the Ukrainian labor market in the context of European integration: system priorities ■ Managerial Economics 2020, Vol. 21, No. 1

JEL classification: J 68, E 24, F66

Keywords: *labor market, European integration, social policy, employment, unemployment*

The purpose of the study is to research the effective international practice of European integration and identify the main system priorities of an effective transformation of the state policy of labor market regulation for Ukraine. The research methods are a comparative analysis concerning the activity of the employment services, the labor market situation in Ukraine and abroad, in particular in Eastern Europe, a statistical analysis of the structure of the employment level, of annual earnings etc., and a systemic analysis, aimed to improve the direction of labor market regulation.

Instruction for authors

Before submitting the paper we encourage the authors to use English language editing support.

Papers which are to be published in *Managerial Economics* should be prepared according to the following guidelines.

All illustrations, figures, and tables are placed within the text at the appropriate points, rather than at the end.

Title page should include a footnote, giving the author(s) affiliation(s) (including postal and e-mail addresses of all authors).

Figures must be prepared in a form suitable for direct reproduction. Digital artwork at least 300 dpi resolution is accepted. Photographs, on glossy paper (9 by 13 cm or larger), should display sharp contrast. Figures, tables and photographs should be numbered according to their reference in text.

Illustrations should be edited in CorelDraw (*.CDR), DrawPerfect (*.WPG) or in any other vector graphics form e.g. HPGL, Encapsulated PostScript (*.EPS), Computer Graphics Metafile *.CGM) or bitmaps (*.TIF, *.PCX).

Mathematical equations within the text should be written in separate lines, numbered consecutively (numbers within round brackets) on the right-hand side. Greek characters must be written out clearly.

Summary and 3–5 keywords should be submitted in separate file containing the name of the author, title of the paper with the heading “Summary”.

Authors using Word are requested to employ, as far as possible, text form of mathematical symbols leaving graphic form for the equations longer than single line.

Reference style

In general, the authors should use the Harvard style of referencing. References to literature within the text should be given in the form: the name of the author(s) and the year of publication (in parentheses), e.g. “Smith (1990) underlines...”, “As shown in Smith (1990)...”. In case of more than two authors of the cited publication the “et al.” shortcut should be used.

Lists of references should be written in alphabetical-chronological order, numbered and follow the rules:

- JOURNAL ARTICLE

Muller, V. (1994) ‘Trapped in the body: Transsexualism, the law, sexual identity’, *The Australian Feminist Law Journal*, vol. 3, August, pp. 103–107.

- BOOKS

Book with one author

Adair, J. (1988) *Effective time management: How to save time and spend it wisely*, London: Pan Books.

Book with two authors

McCarthy, P. and Hatcher, C. (1996) *Speaking persuasively: Making the most of your presentations*, Sydney: Allen and Unwin.

Book with three or more authors

Fisher, R., Ury, W. and Patton, B. (1991) *Getting to yes: Negotiating an agreement without giving in*, 2nd edition, London: Century Business.

Book – second or later edition

Barnes, R. (1995) *Successful study for degrees*, 2nd edition, London: Routledge.

Book by same author in the same year

Napier, A. (1993a) *Fatal storm*, Sydney: Allen and Unwin.

Napier, A. (1993b) *Survival at sea*, Sydney: Allen and Unwin.

Book with an editor

Danaher, P. (ed.) (1998) *Beyond the ferris wheel*, Rockhampton: CQU Press.

A chapter in a book

Byrne, J. (1995) 'Disabilities in tertiary education', in Rowan, L. and McNamee, J. (ed.) *Voices of a Margin*, Rockhampton: CQU Press.

- WORLD WIDE WEB PAGE

Young, C. (2001) English Heritage position statement on the Valletta Convention, [Online], Available: <http://www.archaeol.freeuk.com/EHPositionStatement.htm> [24 Aug 2001].

- CONFERENCE PAPERS

Hart, G., Albrecht, M., Bull, R. and Marshall, L. (1992) 'Peer consultation: A professional development opportunity for nurses employed in rural settings', *Infront Outback – Conference Proceedings*, Australian Rural Health Conference, Toowoomba, pp. 143–148.

- NEWSPAPER ARTICLES

Cumming, F. (1999) 'Tax-free savings push', *Sunday Mail*, 4 April, p. 1.

All the items cited in the main text, and no other items, must be placed in the list of references.

Authors should include 2–3 JEL codes with manuscript during submission. For more details on the JEL classification system [CLICK HERE](#).

Information about the journal and the deadlines for submitting articles for next issues are presented at

<http://www.managerial.zarz.agh.edu.pl>

IMPORTANT NOTE: Instead the traditional e-mail-based procedure, the authors are encouraged to use the new Online Submission System that has just been activated.

Double blind peer review procedure

1. In order to assess a quality of submitted publication the Editorial Board consults at least two outside referees (not affiliated to any of the authors' institutions) which are recognized experts in the specific field.
2. At least one of the referees must represent a foreign institution (i.e. an institution located in other country than the home institution of each author).
3. The journal uses double blind peer review policy, i.e. neither the author nor the referee knows the identity of the other. In addition, each referee signs a declaration of no conflict of interests, whereby the conflict of interest is defined as a direct personal relationship (kinship to the second degree, legal relationships, marriage) or a professional scientific cooperation between the referee and the author which took place at least once in the past two years preceding the year of accepting the invitation to review.
4. Only written referee reports are considered (journal does not accept face-to-face or phone-call- based reports). Each report should clearly express the referee's final recommendation (i.e. whether the article should be accepted for publication, revised or rejected). The referees are kindly requested to fill the review form which can be found in "For reviewers" section. In general, the referees are asked to:
 - assess:
 - the scientific importance of the submission's topic,
 - the quality of research;
 - verify whether:
 - the Abstract is concise and informative,
 - the facts and interpretations are satisfactorily separated in the text,
 - the interpretations and conclusions follow from the data,
 - the length and structure of the paper is appropriate,
 - the paper can be shortened without loss of quality,

- all the tables and figures are necessary,
 - the diagrams and photographs are of good quality,
 - there are all essential figures that should be prepared,
 - all the references are exact,
 - the manuscript requires proof reading by native speaker,
 - there is sufficient attention given to previous research.
5. The names of the referees of particular articles are classified.
6. Once a year the journal publishes the complete list of referees.